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CORNHUSKER ECONOMICS

UNIVERSITY OF
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University of Nebraska–Lincoln Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
<http://www.agecon.unl.edu/Cornhuskereconomics.html>

Nebraska Farmland Markets Plateau

Market Report	Yr Ago	4 Wks Ago	3/20/09
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	\$89.95	\$78.24	\$83.37
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb. . . .	120.81	110.29	111.02
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb. . . .	102.21	93.52	94.38
Choice Boxed Beef, 600-750 lb. Carcass.	141.98	134.76	134.35
Western Corn Belt Base Hog Price Carcass, Negotiated.	50.31	57.54	55.18
Feeder Pigs, National Direct 50 lbs, FOB.	53.57	65.00	70.60
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.	56.78	57.31	59.49
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.	92.50	94.87	93.25
National Carcass Lamb Cutout, FOB.	262.10	246.20	248.87
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu.	9.62	4.78	5.26
Corn, No. 2, Yellow Omaha, bu.	4.73	3.42	3.84
Soybeans, No. 1, Yellow Omaha, bu.	11.09	8.55	9.30
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	8.18	4.82	5.91
Oats, No. 2, Heavy Minneapolis, MN, bu.	3.28	1.73	2.05
<u>Feed</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	135.00	190.00	190.00
Alfalfa, Large Rounds, Good Platte Valley, ton.	85.00	77.50	77.50
Grass Hay, Large Rounds, Premium Nebraska, ton.	*	85.00	140.00
Dried Distillers Grains, 10% Moisture, Nebraska Average.	167.50	135.00	131.00
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	63.50	44.75	50.13
*No Market			

After several years of successively rising land values and cash rents, Nebraska's farmland markets throttled back during 2008. Preliminary results from the University of Nebraska-Lincoln's 2009 Nebraska Farm Real Estate Market Survey show a clear picture of the market mood turning very cautious in response to the U.S. and global economic downturns. As of February 1, 2009, the weighted average value of Nebraska farmland was \$1,424 per acre, identical to the year-earlier level (Figure 1 and Table 1 at end of article). Likewise, estimated 2009 cash rents are stable to slightly down from 2008 levels throughout most of the state.

Our survey reporters indicated that 2008 was generally a year of directional change in land values. They saw continued upward movements through the first nine months of the year, as crop commodity prices escalated to euphoric highs by mid-year. Then, as the commodity-price downturn began and continued through the remainder of 2008, values peaked and started downward. For most areas of the state, survey respondents often reported declines in their areas of five percent or more between October 1, 2008 and February 1, 2009. However, given the relatively limited market transactions, they saw the recent adjustments as being more of a modest value recalibration than the beginning of a downward market *freefall*.

By class of land, dryland cropland and grazing land values declined slightly for the year ending February 1, 2009, while irrigated land classes for the state as a whole recorded slight gains. The impacts of recent irrigation moratoriums could be seen in value declines for the dryland cropland class, with irrigation potential in a number of the districts.

As for land value changes over the past year by sub-state region, our preliminary findings indicate some rather distinct differences. The East and the Northeast districts had overall decreases of 3.0 percent and 2.5 percent,



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respectively. In recent years, these regions had experienced some of the most dramatic percentage gains in values; so in a longer term context, these cooling effects of recent months are still very slight.

In contrast, the South and the Southwest districts recorded overall land value gains of 8.2 percent and 6.4 percent, respectively. These two districts had experienced much lower run-ups in values over the past several years (largely due to multi-year drought conditions and substantial irrigation water restrictions). So with better moisture conditions in 2008 and unusually strong commodity prices (particularly for wheat), these regions have experienced relatively stronger bidding for agricultural land in recent months.

Preliminary survey results indicate the vast majority of recent buyers are active farmer buyers in the market for expansion purposes. Moreover, their interest is primarily in higher-quality land parcels. While there is some buyer interest by non-farm investors, their role has been rather limited. And any interest in agricultural land for secondary recreational purposes has essentially dried up for the time being.

In terms of the cash rental market, the 2009 preliminary average rates for the cropland classes were down from 2008 levels in the majority of cases (Table 2 at end of article). Where 2009 levels were higher, the percentage increases were quite modest. Despite coming off a strong income year for the crop sector, these levels would suggest that both land owners and tenants are factoring in much more restricted income expectations for 2009. Considerably lower crop commodity price levels and

cost-price squeezes for producers would not justify much upward bidding, even though there remains strong demand for rental land in most local markets. Despite difficult economic times for the state's cattle industry, pasture and rangeland rates for 2009 remain fairly similar to previous year's levels; although there was some increase in the South district on both a per-acre and cow-calf pair basis for 2009.

A final thought. The economic forces of the current recession have begun to hit the agricultural sector on many fronts. Clearly the bullish income conditions of recent years for agricultural crops have waned, and are likely to remain so until some U.S. and global economic recovery commences. Nevertheless, the fact that land values and rents have, to this juncture, escaped sharply downward movements must be solace to any agricultural land owner. As the old land economists would often recite, "*productive agricultural land is a positive store-of-value.*" In times such as these, when other aspects of wealth portfolios are rapidly shrinking, that statement rings more true than ever.

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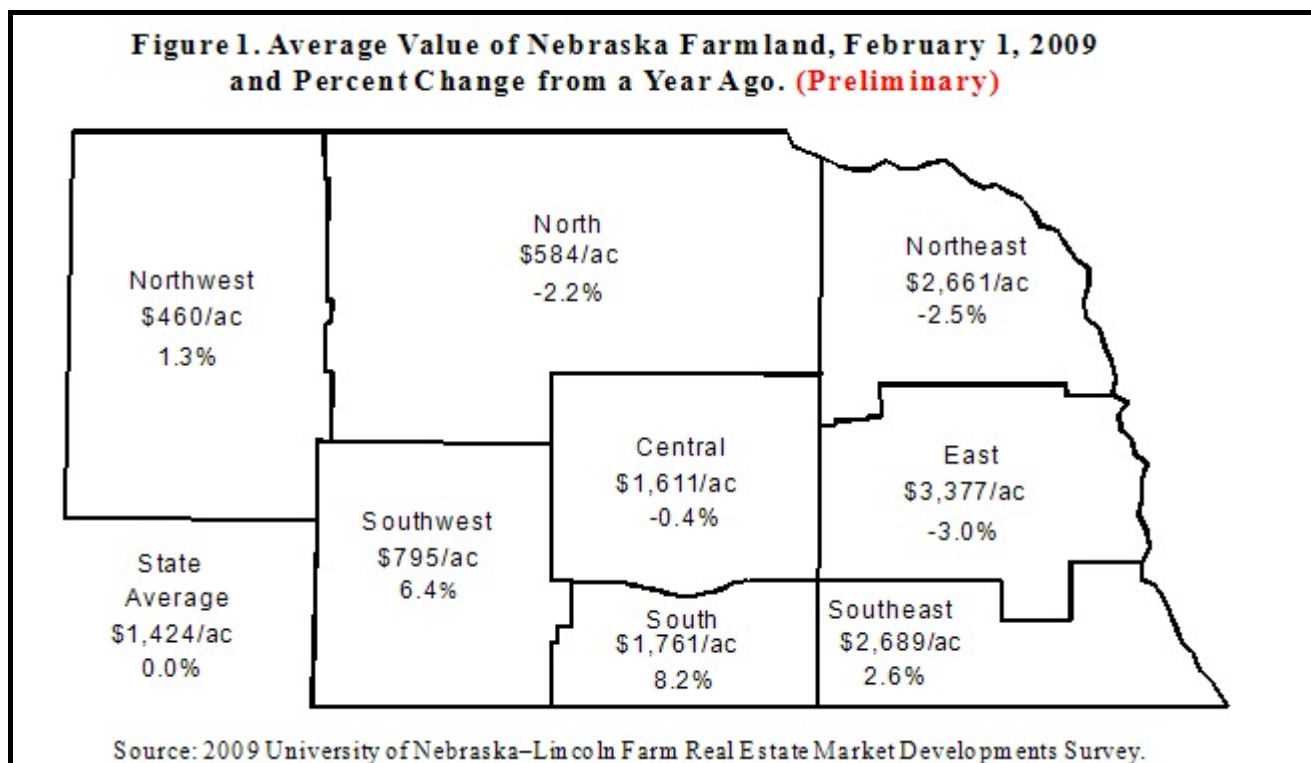


Table 1. Average Reported Value of Nebraska Farmland for Different Types of Land by Agricultural Statistics District, February 1, 2008 - February 1, 2009.^a (Preliminary)

Type of Land and Year	Agricultural Statistics District								
	Northwest	North	Northeast	Central	East	Southwest	South	Southeast	State ^c
----- Dollars Per Acre -----									
Dryland Cropland (No Irrigation Potential)									
Rptd. in 2009	464	670	2469	1300	3112	696	1318	2297	1553
Rptd. in 2008	460	707	2482	1347	3203	693	1214	2367	1578
% Change	0.9	-5.2	-0.5	-3.5	-2.8	0.4	8.6	-3.0	-1.6
Dryland Cropland (Irrigation Potential)									
Rptd. in 2009	500	1008	2965	1818	3555	750	1415	2918	2198
Rptd. in 2008	505	1035	3145	1894	3691	716	1301	2700	2213
% Change	-1.0	-2.6	-5.7	-4.0	-3.7	4.7	8.8	8.1	-0.7
Grazing Land (Tillable)									
Rptd. in 2009	330	545	1529	996	1876	416	936	1325	637
Rptd. in 2008	316	567	1578	1018	1927	417	887	1380	648
% Change	4.4	-3.9	-3.1	-2.2	-2.6	-0.2	5.5	-4.0	-1.7
Grazing Land (Nontillable)									
Rptd. in 2009	281	378	987	733	1194	370	679	945	446
Rptd. in 2008	287	386	975	781	1219	344	658	883	450
% Change	-2.1	-2.1	1.2	-6.1	-2.1	7.6	3.2	7.0	-0.9
Hayland									
Rptd. in 2009	550	660	1250	904	1440	700	870	991	819
Rptd. in 2008	570	688	1220	998	1525	660	859	1006	846
% Change	-3.5	-4.1	2.5	-9.4	-5.6	6.1	1.2	-1.5	-3.2
Gravity Irrigated Cropland									
Rptd. in 2009	1495	1575	3525	3030	4040	1650	3075	3436	3093
Rptd. in 2008	1475	1633	3550	2934	4080	1550	2689	3477	3007
% Change	1.4	-3.6	-0.7	3.3	-1.0	6.5	14.4	-1.2	2.9
Center Pivot Irrigated Cropland^b									
Rptd. in 2009	1495	2286	3875	3247	4331	2290	3126	3810	3156
Rptd. in 2008	1400	2221	3871	3082	4464	2071	3034	3818	3101
% Change	6.8	2.9	0.1	5.4	-3.0	10.6	3.0	-0.2	1.8
All Land Average^c									
Rptd. in 2009	460	584	2661	1611	3377	795	1761	2689	1424
Rptd. in 2008	454	597	2730	1618	3480	747	1628	2620	1424
% Change	1.3	-2.2	-2.5	-0.4	-3.0	6.4	8.2	2.6	0.0

^a SOURCE: 2008 and 2009 UNL Nebraska Farm Real Estate Market Developments surveys.

^b Value of pivot not included in per acre value.

^c Weighted averages.

Table 2. Reported Cash Rental Rates for Various Types of Nebraska Farmland by Agricultural Statistics District for 2009 and Comparison with Year Earlier Levels.^a (Preliminary)

Type of Land and Year	Agricultural Statistics District							
	Northwest	North	Northeast	Central	East	Southwest	South	Southeast
----- Dollars Per Acre -----								
Dryland Cropland								
Rptd. in 2009	29	49	133	82	136	37	71	110
Rptd. in 2008	33	50	134	86	135	40	69	113
% Change	-12.1	-2.0	-0.7	-4.7	0.7	-7.5	2.9	-2.7
Gravity Irrigated Cropland								
Rptd. in 2009	108	138	190	169	191	117	169	185
Rptd. in 2008	126	142	188	173	189	116	168	185
% Change	-14.3	-2.8	1.1	-2.3	1.1	0.9	0.6	0.0
Center Pivot Irrigated Cropland								
Rptd. in 2009	133	158	207	182	212	159	187	204
Rptd. in 2008	140	159	208	185	211	159	183	198
% Change	-5.0	-0.6	-0.5	-1.6	0.5	0.0	2.2	3.0
Pasture								
Rptd. in 2009	11	16	37	29	35	13	29	34
Rptd. in 2008	10	15	39	30	36	13	27	35
% Change	10.0	6.7	-5.1	-3.3	-2.8	0.0	7.4	-2.9
Cow-Calf Pair Rates -----Dollars Per Month -----								
Rptd. in 2009	27.00	33.85	32.80	32.85	30.70	30.00	30.00	29.50
Rptd. in 2008	26.25	33.65	31.90	33.10	31.60	31.65	27.75	29.85
% Change	2.9	0.6	2.8	-0.8	-2.8	-5.2	8.1	-1.2

^a Source: Reporters' estimated average cash rental rates from 2008 and 2009 UNL Farm Real Estate Market Developments Survey.